

<b>MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK</b>
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**SPECIAL CSA SESSION  
January 25, 2007**

The Maricopa County Board of Supervisors convened at 9:30 a.m., January 25, 2007, to attend the County Supervisors Association and Legislative Policy Committee Board of Directors meeting, held at 1905 W. Washington, Phoenix, AZ, with the following Maricopa County Supervisors present: Andrew Kunasek, Vice Chairman, District 3, Don Stapley, District 2, and Mary Rose Wilcox, District 5. Absent: Fulton Brock, Chairman, District 1 and Max Wilson, District 4. Also present: Lori Pacini, Deputy Clerk of the Board and Victoria Mangiapane, Deputy County Attorney.

**WELCOME AND APPRECIATION**

President Matt Ryan welcomed everyone to the meeting and reviewed the telephone/microphone procedures. President Ryan thanked Pinal County for financing the CSA's ability to produce a colorful brochure on "County Priorities 2007." It's a useful tool when meeting with legislators.

**APPROVAL OF MINUTES**

Penny Adams acknowledged a quorum was present. Supervisor David Snider moved to approve the minutes from the December 14, 2006 CSA Board of Directors and Legislative Policy Committee meeting and the minutes from the January 19, 2007 Legislative Policy Committee meeting. Supervisor Carol Springer seconded the motion and the motion passed.

**LEGISLATIVE POLICY COMMITTEE REPORT**

Craig Sullivan reported that all 10 of CSA's bills are in the legislative process. The bill numbers for each proposal are listed in CSA's legislative brochure. Progress on the bills will be posted on our website. He said that last week a budget comparison was distributed that showed the impacts to counties from the Governor's proposed budget and JLBC's baseline budget. One of the main county impacts is the redirection of county, city and town HURF dollars back into DPS to free up some general fund revenues; counties had worked hard the last few years to get the HURF money back into county road building and maintenance. The Governor's budget holds a discussion on a hold harmless to two counties. If the legislature approves the refinancing option of 20 to 30 years of those revenues made free, a portion would go to hold counties, cities and towns harmless on their HURF. There is a bill, not in the budget, that would take local government HURF money and put it in the STAN account. Three key challenges to counties are the Title 34 amendments the AGC are proposing, caps proposed on levys for flood control and library districts, and HURF transfers.

**Property Tax Policy**

SCR 1011 Residential property tax valuation limits, will be referred to the ballot. Craig reported it would freeze homeowner property values at the 2008 valuations; it's a type of California's Prop. 13 restriction on property taxes. Supervisor David Snider requested an analysis be done before CSA takes a stand, but to continue to monitor it at this point. Supervisor Springer agreed.

HB 2401 / SB 1027 State equalization tax rate repeal. Craig reported that last year the legislature reduced the county education rate for three years. The business community wants to remove the three year limit and make it permanent. CSA did not specifically oppose the county education rate last year; it was bundled with the levy limits and that's what CSA focused on. Supervisor Jim Palmer questioned if the hold harmless provisions were to be made permanent. Craig replied that needs to be verified, but that was our understanding.

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HB 2400 / SB 1028 Class one rate reduction. Craig said these would reduce the class one assessment rate. Two years ago the legislature phased the reduction down to 20 percent; CSA stood neutral at that time. The ultimate resolution at the legislature was to phase it down over 10 years, and this proposal is to accelerate that to six years. CSA will continue to monitor it.

SB 1077 Property tax valuation; water utilities. Craig noted this would reduce the taxable value for water utility systems to \$500 per system; the Constitution prohibits a zero value. This was vetoed by the Governor last year. The total fiscal impact on all jurisdictions is \$10 million, with \$1.7 million county impact. There have been discussions that these entities are being taxed unfairly and it's an excessive burden on them. The Arizona Corporation Commission (ACC) believes this is a good idea. Supervisor Don Stapley said it is difficult to get the utilities to pay the tax, and if they don't pay, there is nothing that can be done about it.

Supervisor Andy Kunasek said that AACo opposes this legislation, but he would like for CSA to support it. He said it is an unfair tax, with no way to enforce collection, and you can't buy a lien on a utility company the same way you would with real estate because of barriers. He said there are a lot of private water companies not paying the tax, but some are. He noted that in Paradise Valley, there is a portion served by Scottsdale water, where there is no property tax, and a portion is served by the Town of Paradise Valley, where there is property tax. Initial concerns in Maricopa County were \$11 million.

Supervisor Snider said philosophically he would like to see the revenues put back into the system. He asked what AACo's arguments were against the legislation. Craig replied it is from a straight revenue perspective in that there may be a cost shift if local jurisdictions needed to recoup that amount. AACo's second argument is whether it would set precedent on other entities regulated by the ACC. The ACC said after reviewing the issue they don't see it as applicable to other utilities.

Supervisor Snider commented that the only other utility this might apply to would be a small wastewater utility. He asked if there was a size cap on the legislation. Mark Barnes stated it does not apply to wastewater systems. President Kunasek again commented that it is unfair for some to pay the tax when others are not, regardless of the size of the company; it just so happens it is the smaller companies this is affecting, and it would be expensive for those companies to go through a rate review. Supervisor John Maynard said some small companies may be on the brink of sustainability and it would be great if they could take the past due tax and put it back into infrastructure. He would be concerned with opening the door for larger utility companies. If this is done for one utility company, why not for others such as electric. Mark replied it doesn't affect energy generation.

Supervisor Springer said the Valley's major water provider is SRP and they are tax exempt as a quasi-government entity. She said if you took the concept of providing a necessary service and that's your only source of water (a monopoly for a particular user), you could make the argument that this should receive a different status because it's not a competitive business. She said she could see there being support for it being a tax exempt service or with a minimum taxation rate. Supervisor Mary Rose Wilcox suggested gathering more information before taking a position, but that it is an issue we should take a position on.

Supervisor Snider moved to monitor and tentatively support the legislation and work toward crafting a definition with the bill sponsors to target the small, privately owned water utilities. Supervisor Wilcox seconded the motion. President Ryan said his board has already taken a position against it. Supervisor Maynard questioned if the legislation would cap the size or number of hookups. President Ryan confirmed the motion included seeking cap language in the definition.

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Supervisor Kunasek said Maricopa County serves Anthem and when Anthem needs a rate adjustment, they process it for Anthem residents not statewide. He said some small utilities haven't paid the tax even though it was in the rate base, which is a law enforcement issue. He said he wouldn't want CSA's support to hinge on the size of the provider; if it does, then he would prefer CSA be neutral. Supervisor Snider said the intent of his motion was to direct CSA staff to work with the prime bill sponsor to create a definition about the size of the utility impacted. He said the support is directed at the small, privately owned water utilities that serve a lot of rural Arizona. The motion included to work with the bill sponsor to see if there is a size definition to address the issue of small, privately owned water utility companies. Supervisor Wilcox withdrew her second because the issue was too controversial. Craig said CSA could explore the issue further and revisit it at the next LPC meeting.

President Ryan asked if there was another second for the motion. Supervisor Snider restated his motion to move to monitor and tentatively support SB 1077 and to work with the prime bill sponsor to see if a definition could be crafted to specifically target small, privately owned rural water utilities. President Ryan reported that with no second, that motion dies. Supervisor Searle said Cochise County has had some privately owned water companies file bankruptcy with a tax bill that accumulated over the years, with no enforcement to collect. The back taxes become a hindrance when the water company is sold; if those bankrupt companies hadn't had unpaid back taxes, they could have been privately sold.

Supervisor Stapley moved to support SB 1077. Supervisor Wilcox seconded the motion. Supervisor Dawson sought clarification on whether the vote was before the LPC or the full board. Craig explained the approach is to act as the full board; if it were put before the LPC, the LPC would forward a recommendation to the full board anyway since we're in a joint meeting. The motion failed.

Supervisor Palmer moved to monitor SB 1077 and bring it back to the LPC later. Supervisor David Tenney seconded the motion. Supervisor Wilcox commented that if we were to monitor it now, she would like to see it brought back for support later. The motion passed.

County Island Proposals

Supervisor Stapley advised last year there was a bill signed by the Governor that allowed county islands in municipal planning areas to create a fire district; it was narrowly limited to the Town of Gilbert. The town sued, forcing Maricopa County to be in a position they didn't desire to be in which was to defend state law. The court ruled the bill was unconstitutional. Maricopa County attempted over the summer to negotiate with the mayor and council to overcome their objectives, but they wanted to use the fire and emergency services issue as a lever to force unincorporated county islands within their municipal planning district to have this. This session three bill folders have been opened (two by Representative Robson and one by Representative Biggs). Maricopa County has been holding meetings with them. He said Maricopa County would like to do legislation that only affects them, but those in the meetings say it affects everyone across the state in unincorporated county areas within municipal planning districts that don't have fire or emergency services.

Supervisor Stapley said their proposal includes that if it has to go statewide for there to be a step for the board of supervisors to have the ability to approve or deny the formation. The plan is that the district can be formed within municipal planning areas through a secondary property tax; the people can petition themselves and decide to pay the tax (50 percent plus one is the threshold) to bring noncontiguous county islands together in a fire district in a municipal planning area. It would allow the

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creation by the people to vote themselves in, to pay the tax; it would be at the discretion of the board of supervisors, and they have the power to say no. They are negotiating with the League; they need the cities approval, but they are divided. They would like CSA support.

President Ryan said that currently county islands can form a district, but they can't join other islands because they're not contiguous, and this would expand that opportunity. Supervisor Gene Fisher said he had problems with this last year with counties telling cities what services to provide. He's concerned about the pressure to make someone provide fire service, but when there is the opportunity to be incorporated and they don't want that, they just want fire service. Supervisor Stapley gave an example that unincorporated county islands had service through Rural Metro when they built their home, then people build on their land that's not processed as a subdivision and they don't have to prove they have fire service (but they have it because Rural Metro is providing it), but then Rural Metro goes bankrupt and then there is no service being provided. He said the city could provide service to that unincorporated area at no cost because they're providing service all around that county island. He said they want to connect the financial burden cities carry with making sure they get paid. People have the option not to join and not to receive the service.

Supervisor Stapley moved for CSA to conceptually support the efforts to create fire districts within municipal planning areas out of noncontiguous county islands. Supervisor Palmer seconded the motion. Supervisor Stapley confirmed Supervisor Russell McCloud's question that those areas would pay from that fire district into the municipality for the municipality's infrastructure to then service them. Supervisor Fisher said he was against the motion because it would be telling cities they must provide that service if people outside the city limits say they want it. Supervisor Stapley replied that the people are asking for the service and this would be just providing the opportunity. The motion passed with Supervisor Fisher opposed. President Ryan requested language on this issue when available.

Title 34 Amendments

Todd Madeksza reported he attended a meeting with the AGC, Representative Nelson and the stakeholders on Tuesday. It was productive with the end result being when Representative Nelson finally put on the table that all the evidence the AGC is presenting is anecdotal evidence, and he suggested an approach of an MOU between the counties, the cities and the Contractors Association to track the seal portion of maintenance regarding roads. CSA agreed. Todd said that an hour after the meeting, the president of the AGC told Representative Nelson he was not part of the agreement anymore and it needed to be taken off the table. He was able to get from Representative Nelson the commitment to drop the bill as written with two provisions: Representative Nelson would have a hearing to get both sides' views aired and would not take a vote on it in his committee (he would hold the bill).

Todd said that Representative Nelson had asked that if we were to oppose it, to please not oppose it vehemently. Todd advised that if we were to oppose it, we would do so strongly. Todd said that Representative Nelson had felt there was an agreement at the meeting and the other side backed away. He noted this is another reason to stay at the table and continue discussions with the AGC and Representative Nelson. Todd commented Representative Nelson may or may not have a hearing, but there will be a bill dropped in the Senate in Senator Harper's committee. He has expressed to Representative Nelson that we are still at the table and if we can get back to the MOU, he would present it to our board for approval, but that there are doubts in regards to the other side. Todd said that Maricopa, Navajo and Mohave counties were present at the Tuesday meeting, representing each

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caucus. Information has been provided to the county engineers, the county managers, and then to the boards of supervisors.

Supervisor Wilcox suggested a letter be sent to Representative Nelson expressing our disappointment so that it goes on record. President Ryan noted that by continuing to be at the table, Representative Nelson is starting to see our side of it. He suggested continuing to monitor and if we need to take action, we'll do so. In response to Supervisor Wilcox's question on the current status, Todd replied that the League is in agreement to continue with the next meeting next Tuesday to show Representative Nelson a draft of the MOU that we had agreed on. He said Tuesday they'll show Representative Nelson the draft MOU to show him that we are still at the table, but if he drops a bill, we will be against it.

Supervisor Springer said she is reluctant to take a monitor position, because if the bill is dropped, and there is a hearing, we can't speak our position if we have officially taken a position of monitor. She then moved to have our position be as opposed, but we'll sit at the table to discuss what alternatives there may be and await specific discussions of where there had been problems. Supervisor Maynard seconded the motion. Supervisors Searle and Maynard noted that the Small County Caucus discussed introducing a bill that would increase the cap. The motion passed.

Transportation Policy

HB 2569 Highway expansion fund; growth cities. Todd reported this is the LCAT bill and it's not doing what we thought. It provides \$20 million from the highway expansion and extension loan program to fund cities with growth of at least 50 percent in the last five years; counties aren't mentioned in it. Assigned to Transportation and Appropriations committees; has not yet been heard.

HB 2571 Highway construction; appropriation. Todd reported it would move \$35 million from the State Highway Fund and \$62 million from the HURF fund to the STAN account. It was heard in Transportation today; CSA opposed it. Supervisor Springer said there will be several of this type of bill which moves existing revenue around and doesn't solve problems. She said our major problem is long-term of new source of revenue funding for transportation, and we should be skeptical of any bill that just shifts around existing dollars. President Ryan agreed that we need more funding for transportation and those solutions aren't arising.

Mandated Sentencing

Beth Lewallen provided a resolution in the agenda packet pursuant to the LPC's request. She said there are more than 20 bills that impact county jails. The resolution would provide for CSA to approach the bill sponsors and express concerns related to the costs those bills would incur without directly relating to any of the policy decisions being made. Supervisor Palmer moved to support the resolution. Supervisor Stuart seconded the motion and the motion passed.

HB 2125 County medical examiners. Rory Hays of Maricopa County noted that HB 2125 would revamp medical examiner statutes. It qualifies the requirement for performing autopsies; currently, any physician can perform an autopsy. They have been working with county medical examiners to develop an appropriate level of pathologist qualifications. The bill revamps the statute so it is not "autopsy-centric." It provides new testing to allow bodies to be released sooner to funeral homes. They are working with the organ donor network to clarify some language, and have also been working with funeral home directors. The bill will be heard next week with possible amendments. They expect to

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receive objections from Dr. Keen, who used to be their medical examiner. Supervisor Wilcox moved to support HB 2125. Supervisor Tony Reyes seconded the motion and the motion passed.

**ACRF/CSA FY 2005-06 AUDIT REPORT**

Penny Adams provided with the agenda a copy of the audit report for FYE June 30, 2006. She stated the audit reflected the records of the organization and the auditor found no concerns or discrepancies. Penny provided an extra page after the audit report listing information on the funds held on behalf of others. She noted on page one it showed the designation for the special assessment monies the counties had approved for infrastructure and building contingency needs and that these monies are being accounted for separately from the normal operating expenditures, however, are included on the audit report for a full financial disclosure of CSA. Supervisor Stuart moved to support the audit report. Supervisor Palmer seconded the motion and the motion passed.

**COUNTY CAUCUS REPORTS**

President Ryan reported that Medium County Caucus Chairman Liz Archuleta was unable to attend the meeting. They held a breakfast meeting with legislators this morning. They presented CSA's legislative brochure, it was very well received and the meeting was well attended.

Supervisor Mark Herrington reported that two Representatives (Tobin and Konopnicki) attended the Small County Caucus. A legislative report was given, discussion was held on Title 34, and counties provided reports. The meeting was very positive.

**OTHER BUSINESS**

Supervisor Wilcox noted there are 57 registered from Arizona counties to attend the NACo Legislative Conference in Washington, D.C., and she would like to create the ability to get together with legislators and staff, but not in a business setting. She spoke with Congressman Pastor and he liked the idea of holding a reception honoring our congressional delegation. A room has been reserved at the Rayburn building to hold the reception on Monday, March 5, at 5:30 p.m. Supervisor Wilcox requested for CSA, AACo and any other willing county to host it. The entire congressional delegation and staff would be invited, along with all Arizona delegates attending the NACo conference.

The cost for the reception would include food and refreshments. She said it would be the perfect time to welcome the two new congressmen and get to know all of the congressional staff. AACo has tentatively agreed, and if CSA agrees, Pima and Maricopa counties will be asked to help contribute. President Ryan said that in order for CSA to fund it, maybe all counties could help contribute around \$100 each, since it is not included in CSA's budget. Supervisor Stapley added that this reception would not replace the breakfast held each year with Senators McCain and Kyl. Supervisor Wilcox said she would coordinate the invitation with CSA, AACo and Congressman Pastor.

Supervisor Stapley said he was approached by senior Republican leaders on whether it was the right time for the legislature to put forth a referendum to the voters to eliminate the county school superintendent position as an elected office. He said he didn't feel qualified to respond and felt they were asking him to ask others about it, and so he is asking if CSA would want to respond. President Ryan noted we could provide a pro/con type of discussion or provide a response of support or oppose. When asked what the Governor's position is, Brent Brown responded that if Maricopa County wants to take that on they should go for home rule rather than single out one of the row officers. Supervisor Don

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Stapley said that 12 years ago he pushed for home rule and it lost. Mr. Brown said the Governor would probably not push for it.

President Ryan reminded counties of AACo's legislative luncheon at the capitol following the meeting.

**MEETING ADJOURNED**

There being no further business, the meeting was adjourned at 11:01 a.m.

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Fulton Brock, Chairman of the Board

ATTEST:

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Lori Pacini, Deputy Clerk of the Board